

August 9, 2021

Board of Governors of the Federal Reserve System  
c/o Ann E. Misback, Secretary  
20th Street and Constitution Avenue NW  
Washington, DC 20551

Re: Docket No. R-1748, RIN 7100-AG15

Dear Board of Governors of the Federal Reserve System Members,

On behalf of the National Community Pharmacists Association (NCPA), I am writing to you to comment on Debit Card Interchange Fees and Routing. I urge the Federal Reserve Board of Governors to take immediate action to enforce the routing competition provisions and reduce the regulated debit rate as required by law.

NCPA represents America's community pharmacists, including the owners of more than 21,000 independent pharmacies. Together, our members represent a \$74 billion healthcare marketplace, provide employment to approximately 250,000 individuals, and provide an expanding set of vital healthcare services to millions of patients every day. Our members rely on debit network routing options in store to help contain network costs. Networks competing for both issuing bank and merchant's business benefit all stakeholders in the chain, most importantly our members' patients. 2020 placed strains on our economy that were previously unimaginable. Almost overnight, patient needs, shopping habits and the way they acquired and paid for their prescriptions shifted. Patients who traditionally shopped in-person and paid using a variety of tender forms suddenly requested home delivery or used curbside pick-up and paid with card-not-present (CNP) debit and credit cards exclusively.

In the request for comment, the Board correctly notes that Regulation II specifically "...prohibits an issuer or payment card network from directly or indirectly restricting the number of payment card networks on which an electronic debit transaction may be processed to fewer than two unaffiliated networks." However, currently only 6% of online debit transactions are being processed by single-message networks - Visa's and Mastercard's competitors. This is a clear indicator that merchants are routinely not able to access a second debit network when the purchase occurs CNP, and it is imperative for the Board to take immediate action to enforce the law. Furthermore, for Visa and Mastercard to suggest that in-person and online are synonymous in calculating the two unaffiliated networks number misses the point of Regulation II.

The proposed clarification recognizes the innovation in the debit space since the initial rule was finalized almost a decade ago. Specifically, the growth in online sales and the investment by the debit networks to enable PIN-less transactions are two examples. We strongly support the Board

moving forward with enforcing the debit routing provisions to ensure that small business independent pharmacy's routing rights are enforced regardless of how or where the transaction occurs and is authenticated. Furthermore, the Board should act quickly to finalize the clarification, to protect a patient's ability to obtain prescriptions online and in a safe manner during the ongoing pandemic. Not only is the clarification necessary to enforce federal law, but it will also bring immediate relief to independent pharmacies committed to keeping access to prescriptions available to their patients who guard their health by limiting trips inside stores.

Finally, U.S. merchants paid \$24.38 billion in debit interchange fees in 2019. The current regulated rate for covered issuers is 21-cents plus 5 basis points with an additional 1-cent for fraud adjustment. The rate has not been adjusted since it went into effect a decade ago, even though issuer costs have reduced by half, and merchants are shouldering more of the fraud burden. The regulated rate should be reduced to make it both reasonable and proportional to issuer costs.

Thank you again for the opportunity to provide comments on the proposed clarifications, and we strongly encourage the Board to act quickly on both enforcing the routing law and reducing the regulated debit rate.

Sincerely,



B. Douglas Hoey, Pharmacist, MBA  
Chief Executive Officer